

Towards a Solution for Dilution: Likelihood Instead of Actual Harm

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The concept of trademark dilution has existed in many states since it was first conceptualized in 1927. It was not until 1996, however, when Congress passed the Federal Trademark Dilution Act (FTDA), that a claim for trademark dilution was recognized on the federal level. In order to establish a trademark dilution claim under the FTDA, the Fourth and Fifth Circuits have held that proof of "actual, consummated harm" or "actual dilution of the value of the mark" is required. The Second Circuit, on the other hand, requires only that the plaintiff prove a "likelihood of dilution" of the mark's value.

This note attempts to demonstrate the inherent advantages of the likelihood standard for trademark dilution. On a purely philosophical level, dilution is a nebulous concept, and requiring proof of actual harm unnecessarily attempts to confine an abstract concept with rigid parameters. On a practical level, the difficulty of proving injury under the actual harm requirement directly conflicts with the available remedies, for, after "going through the hoops" to prove dilution, the injured plaintiff must be satisfied with merely an injunction against the defendant's dilutive use of the mark. Furthermore, since its inception in the states, trademark dilution has maintained the likelihood standard. Finally, in Congress' most recent "statement" on the issue, the purpose of the Trademark Amendments Act of 1999 (TAA) implies support for the likelihood standard. Moreover, the legislative history behind the TAA explicitly demonstrates disfavor with the actual harm standard. The author believes these arguments are strong support for federal courts to adopt the likelihood standard instead of the actual harm standard for trademark dilution.

I. INTRODUCTION

Consumers will likely never see DuPont shoes, Buick aspirin, or Kodak pianos sold in commerce.¹ The reason why rests in the theory of trademark dilution, a concept that until January 16, 1996, was not a federally provided-for cause of action.² Trademark dilution is defined as "the impairment of a

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¹ See, e.g., 141 CONG. REC. H14,317-01 (Dec. 12, 1995) (statement of Rep. Moorhead). It must be noted though, that if these companies did in fact create those products, they certainly would be allowed to call them by their trademark names.

² Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) (Supp. V 1998) [hereinafter FTDA]. The Trademark Act of 1946 (Lanham Act) was amended in 1995 to include a provision providing for a cause of action based on dilution of a famous trademark. Lanham Act,

trademark's strength or effectiveness caused by the use of the mark on an unrelated product, usually blurring the trademark's distinctive character or tarnishing it with an unsavory association."³

There currently is a split amongst several federal circuits in regard to the proof needed to establish a federal claim of trademark dilution. The Fourth and Fifth Circuits require proof of "actual, consummated harm" or actual dilution of the value of a mark,⁴ while the Second Circuit holds that the plaintiff need only prove a "likelihood" of dilution of the mark's value.⁵ This note attempts to show that the Fourth and Fifth Circuits' interpretation of the requirements of proving dilution under the Federal Trademark Dilution Act (FTDA) are impractical and untenable given the history and theories behind the dilution doctrine. Part II explores the historical and legislative perspective of trademark dilution law. Part III examines the Fourth and Fifth Circuits' rulings requiring "actual, consummated harm," and Part IV reviews the Second Circuit's holding that only a "likelihood of dilution" is needed to succeed on a trademark dilution claim under the FTDA. Part V poses several arguments based on practical considerations, the tradition of the dilution doctrine in the states, and the legislative history behind the Trademark Amendments Act of 1999 (TAA) to point out the advantages of the likelihood of dilution requirement. Finally, Part VI concludes by suggesting that the need for an explicit amendment to clarify the FTDA to require likelihood of dilution as the standard of proof in a federal trademark dilution claim may have been obviated (at least temporarily) given the current landscape of the dilution doctrine as portrayed in this note.

II. HISTORICAL AND LEGISLATIVE PERSPECTIVE

This Part discusses the background of the dilution doctrine by comparing it to trademark infringement, tracing its development through state law, and distinguishing state anti-dilution statutes from the FTDA.

Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1994)).

³BLACK'S LAW DICTIONARY 469 (7th ed. 1999); see, e.g., Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 121 (1996) (explaining the damage caused by dilution as harm to the mark's uniqueness, its singularity, and its capacity to identify the source of goods sold under it).

⁴*Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

⁵*Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999); see also *Eli Lilly and Co. v. Natural Answers, Inc.*, 86 F. Supp. 2d 834, 852 (S.D. Ind. 2000) (agreeing with the Second Circuit's interpretation of the FTDA as requiring a finding of a likelihood of dilution rather than actual dilution); cf. *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999) (approving a cause of action under the FTDA based *either* on actual dilution *or* likelihood of dilution).

A. Dilution vs. Infringement

The traditional route to legal protection of trademarks on the federal level had been limited to trademark infringement—a cause of action that is successful when there is a likelihood that consumers will be confused as to the source, affiliation, or sponsorship of goods or services.⁶ A finding of a likelihood of confusion, however, is irrelevant in an action for trademark dilution as recognized by the FTDA.⁷ Instead, a dilution action rests upon the idea that “even a nonconfusing unauthorized use of a mark may cause an actionable harm to the mark’s owner by gradually whittling away the mark’s distinctiveness and ability to identify the source of goods or services.”⁸ Dilution, in fact, is defined in section 45 of the Lanham Act as the “lessening of the capacity of a famous mark to identify and

⁶ See Lori Krafte-Jacobs, *Judicial Interpretation of the Federal Trademark Dilution Act of 1995*, 66 U. CIN. L. REV. 659 (1998) (citing J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION 23:1–124 (4th ed. 1996)). “The likelihood of confusion standard has been the basic test for common-law as well as for federal statutory infringement.” MCCARTHY, *supra*, at 23:1. The Lanham Act provides for a federal claim for trademark infringement. See Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1994 & Supp. V 1998). A federal claim under the Lanham Act is prompted by a use in commerce of another’s mark that is “likely to cause confusion . . . as to affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities . . .” *Id.*

⁷ See Krafte-Jacobs, *supra* note 6, at 659; see also Robert D. Litowitz & Douglas A. Rettew, *Cleansing and Clarifying the Mark: The Year-Old Federal Trademark Dilution Act is Already Protecting Famous Marks from Blurring and Tarnishment*, LEGAL TIMES, Dec. 9, 1996, at 36. *But see* Charles E. McKenney & George F. Long, III, *The Attainment of Fame and the Aegis of Protection: The Courts and the Federal Trademark Dilution Act*, INTELL. PROP. TODAY, Nov. 1998, at 42 (discussing the inconsistencies among state laws on dilution and how judges interpret the existence of actual confusion or the likelihood of confusion). The authors also noted that:

“While many courts were to finally embrace the notion that the existence of actual confusion or the likelihood of confusion was not a condition precedent to an award of relief based upon a dilution claim, most courts insisted that such proof was a necessary element or condition for injunctive relief to be granted . . .”

Id.

⁸ Krafte-Jacobs, *supra* note 6, at 659; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. c (1995) (the anti-dilution statutes rest on a judgment that the “stimulant effect” of a distinctive and well-known mark is a “powerful selling tool” that deserves legal protection); Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927). Schechter’s article has been widely cited as the foundational piece of literature that led to the creation of anti-dilution law in the United States. See, e.g., Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 37 HOUS. L. REV. 729 (2000). Others have referred to the damage caused by dilution of a trademark as the erosion of the “selling power” of a famous mark. E.g., Kelley Drye & William R. Golden, Jr., *A Proposed Framework for Analyzing Federal Trademark Dilution Claims*, THE METROPOLITAN CORP. COUNS., Jan. 1997, at 8.

distinguish goods or services, regardless of the presence or absence of [competition] or [likelihood of confusion].”⁹

Dilution usually takes the form of blurring or tarnishment. Dilution by blurring, the classic or “traditional” dilution theory, occurs when current or prospective customers see the plaintiff’s mark used in connection with other goods and services. Although it may not cause confusion as to the source of the product because the products may be sold in radically different markets, this non-infringing use nonetheless dilutes or weakens the unique and distinctive significance of the trademark holder’s mark to identify and distinguish its products or services.¹⁰ Dilution by tarnishment, on the other hand, is based on the idea that a defendant’s unauthorized use of plaintiff’s mark will tarnish or degrade the mark.¹¹ One other theory of trademark dilution, recently propounded by the U.S. Court of Appeals for the Second Circuit, is based on the idea that alterations of a famous mark that have the potential to lessen the mark’s selling power constitute dilution.¹²

⁹ 15 U.S.C. § 1127 (Supp. V 1998). The FTDA provides eight non-exclusive factors to help courts determine whether a mark is famous. *See infra* note 25.

¹⁰ MCCARTHY, *supra* note 6, at 24:68. An example cited by McCarthy is the use of the name TIFFANY for a Boston restaurant. It is not likely to cause confusion with TIFFANY jewelers, but the dilution doctrine still may provide TIFFANY jewelers with a right to prevent the restaurant from using the name based on the theory that the TIFFANY mark will no longer serve as a unique identifier of a certain jewelry store. “The unique and distinctive link between the word TIFFANY and a certain fashionable jewelry store has been weakened.” *Id.*; *see e.g.*, Tiffany & Co. v. Boston Club, Inc., 231 F. Supp. 836 (D. Mass. 1964). More hypothetical examples of dilution by blurring are Buick aspirin, Schlitz varnish, Kodak pianos, and Bulova gowns. MCCARTHY, *supra* note 6, at 24:68.

¹¹ MCCARTHY, *supra* note 6, at 24:69. An example of dilution by tarnishment would be if defendant used the mark without permission in an attempted parody context that is totally dissonant with the image projected by the mark. *Id.* A famous case of dilution by tarnishment is known as the ENJOY COCAINE case. *See Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183, 1190–91 (E.D.N.Y. 1972). The court granted a preliminary injunction based on dilution, emphasizing the damage to Coca-Cola Co.’s reputation caused by an unwholesome association with an illegal drug. *Id.* at 1190–91. “[P]laintiff’s good will and business reputation are likely to suffer in the eyes of those who, believing it responsible for defendant’s poster, will refuse to deal with a company which could seek commercial advantage by treating a dangerous drug in such jocular fashion.” *Id.* at 1191.

¹² *See Deere & Co. v. MTD Products, Inc.*, 41 F.3d 39, 44–45 (2d Cir. 1994). This case involved the issue of whether an advertiser may depict an altered form of a competitor’s trademark to identify the competitor’s product in a comparative advertisement. *Id.* at 40. Specifically, the United States Court of Appeals for the Second Circuit addressed whether achieving a humorous effect in comparative advertising can constitute trademark dilution. *Id.* at 41. In affirming the District Court’s preliminary injunction, the Second Circuit held that the dilution found in this case did not fit within the traditional blurring or tarnishment categories, but rather represented a situation where the selling power of the mark could be diluted. *Id.* at 44–45. In attempting to distinguish lawful purposes of expression from what happened here, the Second Circuit stated that:

B. Historical Development of Dilution Protection

Dilution was recognized as a cause of action in many states,¹³ but was not present on the federal level until 1996 when the FTDA was signed into law.¹⁴ Prior to the enactment of the FTDA, there was much inconsistency in the patchwork system of dilution protection among the various states that had anti-dilution laws.¹⁵ First, as of 1995 only twenty-six states had dilution laws.¹⁶ In addition, the various state courts differed in their interpretations of their statute's requirements in order to succeed on a dilution claim.¹⁷ The usual requirement was that the plaintiff merely demonstrate that its trademark was distinctive—that it served to identify the plaintiff as the source of the good or service—and that defendant's mark was *likely to dilute* plaintiff's mark.¹⁸ The focus, therefore, among the states that actually had anti-dilution laws was on a *likelihood* of dilution, not on a showing of *actual* dilution.¹⁹ The "likelihood" focus was due in large part to the words of the Model State Trademark Act itself: "*Likelihood* of injury to business reputation or of dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of

"Sellers of commercial products who wish to attract attention to their commercials or products and thereby increase sales by poking fun at widely recognized marks of noncompeting products risk diluting the selling power of the mark that is made fun of. When this occurs, not for worthy purposes of expression, but simply to sell products, that purpose can easily be achieved in other ways."

Id. (internal citations omitted). Incidentally, this dilution claim was brought under New York's anti-dilution statute, which applies the "likelihood of dilution" standard. N.Y. GEN. BUS. LAW § 368-d (McKinney 1984).

¹³ See MCCARTHY, *supra* note 6, at 24:80 (noting the fact that "twenty-six states had anti-dilution statutes on the books" by the time that Congress passed the FTDA); *see also infra* notes 16, 76.

¹⁴ See MCCARTHY, *supra* note 6, at 24:84. "Nothing less than likelihood of confusion would suffice to obtain trademark protection under the [Lanham] Act. Accordingly, dilution alone did not constitute infringement under federal law of a federally registered or unregistered mark." *Id.*

¹⁵ See Prepared Statement of Mary Ann Alford, Executive Vice President, International Trademark Association, Before the House Committee on the Judiciary Subcommittee on Courts and Intellectual Property (July 19, 1995), in FEDERAL NEWS SERVICE, LEXIS, Nexis, FEDERAL NEWS SERVICE File; *see also* 141 CONG. REC. H14,317-01 (Dec. 12, 1995).

¹⁶ MCCARTHY, *supra* note 6, at 24:80; *see, e.g.*, Litowitz & Rettew, *supra* note 7, at 36.

¹⁷ Some state courts required a showing of likelihood of confusion to prevail in a dilution cause of action, while others required that the parties not be competitors. Litowitz & Rettew, *supra* note 7, at 36.

¹⁸ Ethan Horwitz & Eric A. Prager, *What is Dilution and How is it Proved?: Complexities of Question Discussed, Some Useful Answers Provided*, N.Y. L.J., Dec. 2, 1996, at S7.

¹⁹ *Id.*

competition between the parties or the absence of confusion as to the source of goods or services."²⁰

C. Distinguishing the Federal Trademark Dilution Act from State Dilution Statutes

The legislative history surrounding the passage of the Federal Trademark Dilution Act of 1995 indicates that the need for a law, national in scope, was apparent. Many state courts were reluctant to grant nationwide injunctions for violations of state law where almost half of the states had no dilution law.²¹ Thus, based in large part on the urging of the International Trademark Association (formerly known as the U.S. Trademark Association),²² the FTDA was passed and became effective January 16, 1996.²³

Despite the apparent consistency that the Federal Act attempted to bring to the landscape of trademark dilution protection, a few minute, yet quite important, details within the act itself have led to a split among the circuits and to uncertainty for trademark owners. The FTDA is different from traditional state dilution statutes in two major ways: first, the FTDA protects against dilution only in the case of "famous" marks, and second, the "likelihood" language so apparent in state statutes is not present in the FTDA.²⁴ The requirement that a mark must be famous in order to qualify for protection under the FTDA is logically a federal-level requirement, given that most famous marks are at least national in scope.²⁵

²⁰ MODEL ST. TRADEMARK ACT § 12 (1964) (emphasis added).

²¹ 141 CONG. REC. H14,317-01 (Dec. 12, 1995); *see also* 141 CONG. REC. S19,306-10 (Dec. 29, 1995) (statement of Sen. Hatch). Proponents of the FTDA were concerned that protection had depended on whether the forum where the suit was filed had a dilution statute, which led to forum-shopping and increased litigation. *Id.*

²² *See MCCARTHY, supra* note 6, at 24:87.

²³ Federal Trademark Dilution Act, Pub. L. 104-98, 109 Stat. 985 (1996).

²⁴ *See* 15 U.S.C. § 1125(c) (Supp. V 1998).

²⁵ The FTDA added section 43(c) to the Lanham Act and within section 43(c) there is a list of factors that courts might employ in determining which marks are to be considered famous for purposes of dilution protection. The eight factors are nonexclusive and nonbinding, and are as follows:

- (a) the degree of inherent or acquired distinctiveness of the mark; (b) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (c) the duration and extent of advertising and publicity of the mark; (d) the geographical extent of the trading area in which the mark is used; (e) the channels of trade for the goods or services with which the mark is used; (f) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (g) the nature and extent of use of the same or similar marks by third parties; and (h) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1) (Supp. V 1998). *But c.f.* Prager, *supra* note 3, at 130 (criticizing the eight factors in the FTDA as "little more than a compilation of factors that courts have

The departure from the “likelihood” language in terms of proof of dilution, though, has proven to be the most controversial distinguishing feature between the FTDA and the state dilution statutes.

III. THE ACTUAL HARM REQUIREMENT IN THE FEDERAL COURTS

There are two foundational cases—one from the Fourth Circuit²⁶ and one from the Fifth Circuit²⁷—that have held that plaintiffs must prove an actual, present injury in order to succeed on a dilution claim under the FTDA.

A. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development

In *Ringling Bros.*,²⁸ plaintiffs filed a claim under the FTDA alleging that Ringling’s famous circus trademark slogan, “The Greatest Show on Earth,” had been diluted by the state of Utah’s commercial use of its trademark slogan, “The Greatest Snow on Earth.”²⁹ Ringling, since its inception in 1872, has used its mark—for which it received federal trademark registration in 1961—to advertise circus performances throughout the United States, exposing its mark to over seventy million people each year in connection with the circus.³⁰ Defendant Utah Division of Travel Development (Utah) began using its “Greatest Snow” mark in connection with Utah tourism services almost every year since 1962.³¹ Utah registered its mark with the State of Utah in 1975, and it was granted federal registration on January 21, 1997, despite Ringling’s opposition.³²

The basis for Ringling’s appeal from the District Court’s grant of summary judgment in favor of Utah was its contention that a famous mark is diluted whenever a junior mark is sufficiently similar that consumers viewing them “instinctively make a mental association” of the two.³³ In addition, Ringling argued that the court erred in interpreting the FTDA to require proof of “actual

traditionally used to assess the strength of a mark for purposes of trademark *infringement* analysis”) (emphasis added).

²⁶ *Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

²⁷ *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

²⁸ 170 F.3d 449 (4th Cir. 1999).

²⁹ See *id.* at 451.

³⁰ *Id.* Therefore Ringling’s mark is famous and qualifies for dilution protection under the FTDA. See *supra* note 25 (listing the eight non-exclusive factors that courts are encouraged to use to determine fame).

³¹ *Ringling Bros.*, 170 F.3d at 451.

³² *Id.* at 451–52.

³³ *Id.* at 453.

dilution.”³⁴ The Court of Appeals for the Fourth Circuit held, though, that dilution under the FTDA consists of: “A sufficient similarity of marks to evoke in consumers a mental association of the two that causes *actual harm* to the senior marks’ economic value as a product-identifying and advertising agent.”³⁵

The court conceded that such an interpretation was a “stringent” view of dilution, but they supported such a stance by looking at provisions that they found to “expressly differentiate the FTDA on key points from the state statutes” and assumed that Congress intended these differences.³⁶

B. *Westchester Media v. PRL USA Holdings, Inc.*

In *Westchester Media*,³⁷ the Fifth Circuit was presented with a case involving a conflict between the Lanham Act and the First Amendment.³⁸ PRL USA

³⁴ *Id.* The Fourth Circuit arguably erred in its reliance on three contextual factors: the extent of the junior mark’s exposure, the similarity of the marks, and the firmness of the senior mark’s hold. See Xuan-Thao N. Nguyen, *A Circus Among the Circuits: Would the Truly Famous and Diluted Performer Please Stand Up? The Federal Trademark Dilution Act and Its Challenges*, 1 J. INTEL. PROP. 158, 167 (2000). Nguyen criticizes the use of “the extent of the junior mark’s exposure” because such a factor is “not relevant in cases where the junior mark triggers no recollection or thought of the famous mark.” *Id.* The “similarity of the marks” additionally is “not helpful because dilution can occur in cases such as parody or tarnishment where the junior mark may not be very similar to the famous mark.” *Id.* Finally, the “firmness of the senior mark’s hold” is seen by Nguyen as a “redundancy of the ‘fame’ analysis because the FTDA only protects marks that are famous.” *Id.* at 168. A dilution analysis is “not necessary if the fame analysis reveals that the mark is not famous within the meaning of the FTDA (internal citations omitted).” *Id.* Such use of apparently irrelevant factors in determining dilution lends further credence to the fact that the Fourth Circuit erroneously interpreted and applied the FTDA.

³⁵ See *Ringling Bros.*, 170 F.3d at 458 (emphasis added). In so holding, the Fourth Circuit stressed an “apparent recognition that broad interpretation of the statutes would undermine the balance between private and public rights reflected in the traditional limits of trademark protection,” and that “the courts have continued to confine the cause of action for dilution to cases in which the protectable interest is clear and the threat of interference is substantial.” *Id.* at 455; see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. b (1995).

³⁶ See *Ringling Bros.*, 170 F.3d at 458–59, 461. The two key provisions of the FTDA that the Fourth Circuit cites as distinct from state statutes are: (1) the notion that the FTDA “proscribes and provides remedy only for actual, consummated dilution and not the mere ‘likelihood of dilution’ proscribed by the state statutes,” and (2) the specific definition of dilution as the “lessening of the capacity of a famous mark to identify and distinguish goods and services,” where the “end harm at which it is aimed is a mark’s selling power, not its ‘distinctiveness’ as such.” *Id.* at 458. This author argues, though, that such a disparate view from state precedent is actually an unintended result of the careless drafting of Congress, specifically in regard to the actual harm versus likelihood of dilution causation requirement. See *infra* Part V.B.

³⁷ 214 F.3d 658 (5th Cir. 2000).

³⁸ See ‘POLO’ Magazine Title Is Infringing: FTDA Requires Proof of Actual Harm, 60 Pat. Trademark & Copyright J. (BNA) 1482, at 208 (July 14, 2000). The First Amendment

Holdings, Inc. (PRL) is a fashion and design business founded in 1967 by Ralph Lauren that, between 1996 and 2000, had sold approximately four billion dollars worth of products bearing various "Polo" trademarks.³⁹ Westchester Media publishes magazines, and in May 1997 they purchased the assets, including the trademarks, of POLO Magazine—a magazine about the equestrian sport of polo.⁴⁰ After several debates with PRL over advertising in the magazine, Westchester Media sought a declaration that its use of the title POLO for its magazine on "equestrian sports and lifestyles" does not infringe PRL's "Polo" mark.⁴¹ PRL sought injunctive relief by asserting counterclaims for trademark infringement, dilution, and unfair competition under the Lanham Act and Texas state law.⁴²

After a magistrate judge found that Westchester had violated the Lanham Act by infringing PRL's "Polo" trademark, Westchester appealed and challenged the magistrate judge's analysis of PRL's counterclaim under the FTDA.⁴³ Citing *Ringling Bros.*, the United States Court of Appeals for the Fifth Circuit held that the FTDA requires proof of actual harm.⁴⁴

tension arose here because PRL was trying to prevent Westchester from using "Polo" as a title for a magazine, which implicated the First Amendment right to choose an appropriate title for literary works. *See Westchester Media*, 214 F.3d at 664 (citing *Sugar Busters LLC v. Brennan*, 177 F.3d 258 (5th Cir. 1999)).

³⁹ *See Westchester Media*, 214 F.3d at 661.

⁴⁰ *Id.* The founder of POLO Magazine, Ami Shinitzky, is a polo enthusiast and United States Polo Association member. *Id.* After frequent questions regarding a possible connection between POLO Magazine and PRL, Shinitzky obtained federal registration for POLO covering a "magazine on the subject of equestrian sports and lifestyles." *Id.* at 662. After POLO Magazine was bought by Westchester Media in May 1997, the new magazine was launched in October 1997. *Id.* The magazine was "not about the sport, but rather about an adventurous approach to living life." *Id.*

⁴¹ *See Westchester Media*, 214 F.3d at 663.

⁴² *Id.*

⁴³ *Id.* The magistrate judge had "first entered a preliminary injunction and required Westchester to disseminate a disclaimer which states clearly that POLO Magazine has no affiliation, sponsorship, or association with Ralph Lauren, or any Polo Ralph Lauren entities" prominently on the cover, masthead, and on the table of contents page. *Id.* The Court of Appeals for the Fifth Circuit stayed the permanent injunction and reinstituted the disclaimer procedure pending the appeal. *Id.*

⁴⁴ *See Westchester Media*, 214 F.3d at 670. As support for its holding, the Fifth Circuit relied on the plain meaning of the statute. *Id.* It also found importance in the fact that the federal statute did not incorporate the "likelihood of dilution" standard found in many state dilution statutes. *Id.* The court said "[b]oth the present tense of the verb ['causes dilution' as found in the FTDA] and the lack of any modification of 'dilution' support an actual harm standard." *Id.* at 671.

IV. LIKELIHOOD OF DILUTION IN THE FEDERAL COURTS

In its *Nabisco* holding, the Second Circuit interpreted the FTDA to require plaintiffs to merely show a "likelihood of dilution" for federal trademark dilution claims.

A. Nabisco, Inc. v. PF Brands, Inc.

The Second Circuit, in *Nabisco, Inc., v. PF Brands, Inc.*,⁴⁵ explicitly disagreed with the Fourth Circuit's interpretation of the FTDA, instead holding that the FTDA required only a "likelihood of dilution."⁴⁶ In *Nabisco*, PF Brands, Inc. (Pepperidge Farm) brought a preliminary injunction to prevent Nabisco from distributing an orange, bite-sized, cheddar cheese-flavored, goldfish-shaped cracker that closely resembled Pepperidge Farm's trademark Goldfish cracker.⁴⁷ Pepperidge Farm had been producing the Goldfish cracker continuously since 1962 and had obtained numerous trademark registrations for the Goldfish design and name.⁴⁸ In the spring of 1998, Nabisco was approached by Nickelodeon Television Network to explore a possible joint promotion for Nickelodeon's new cartoon program, "CatDog."⁴⁹ A few months later, as a result of the character lineup on this Nickelodeon television show and because of the "Joint Promotion Agreement" between Nickelodeon and Nabisco, Nabisco ended up producing packages of small orange crackers in three shapes, one of which happened to be a fish.⁵⁰ The fish-shaped cracker closely resembled Pepperidge Farm's Goldfish cracker in color, shape, size, and taste, although the "CatDog fish" was somewhat larger and flatter with markings on one side.⁵¹

⁴⁵ 191 F.3d 208 (2d Cir. 1999).

⁴⁶ *Id.* at 223-24.

⁴⁷ *Id.* at 212. The allegation was that Nabisco's cracker would dilute the distinctive quality of Pepperidge Farm's mark in violation of the FTDA. *Id.*

⁴⁸ *Id.* In addition, "[f]rom 1995 to 1998, net sales of Goldfish crackers more than doubled, to \$200 million per year. Measured by sales volume, Pepperidge Farm's Goldfish is the second-largest selling cheese snack cracker in America today. Measured in sales dollars, Goldfish ranks number one." *Id.* at 213.

⁴⁹ *Id.* CatDog became one of the most widely watched children's television shows in its first three months. Its characters featured a mouse, a rabbit, a squirrel, and several dogs. *Id.*

⁵⁰ *Id.* Half of the shapes in each package were in the shape of the two-headed CatDog character, one-quarter were in the shape of a bone, and one-quarter were in the shape of a fish. *Id.*

⁵¹ *Id.* This case was essentially a *trade dress* case. At common law, product and package configurations, to be protected against unfair competition by simulation, have to meet three basic criteria: (1) non-functionality; (2) proof of secondary meaning; and (3) likelihood of confusion. See MCCARTHY, *supra* note 6, at 7:53. Because qualifying trade dress is registerable as a "trademark" or a "service mark," it is a candidate for protection under Lanham Act section 43(c). *Id.* at 24:90.

After Nabisco sought a declaratory judgment of non-violation of Pepperidge Farm's rights in the Goldfish, Pepperidge Farm counterclaimed that Nabisco's goldfish constituted, *inter alia*, trademark dilution under the FTDA and moved for a preliminary injunction to bar Nabisco from marketing its product.⁵² The district court found for Pepperidge Farm and granted the preliminary injunction.⁵³ This ruling was affirmed by the United States Court of Appeals for the Second Circuit.⁵⁴ The Second Circuit, in construing the FTDA, laid out the five necessary elements to prove a claim of dilution, yet the basis of their ruling turned almost entirely on their interpretation of the fifth element, "dilution of the distinctive quality of the mark."⁵⁵

The Second Circuit's discussion of Nabisco's fourth contention on appeal—that dilution cannot be found without documentation of actual injury, consisting of an actual reduction in the senior mark's selling power⁵⁶—is especially instructive. In expressing its disagreement with the Fourth Circuit's interpretation of the FTDA, the Second Circuit differentiated between a narrow and broad position, one of which the Fourth Circuit may have intended to adopt.⁵⁷ The narrow position would be that courts may not infer dilution from "contextual factors (i.e. degree of mark and product similarity)," but must instead rely on evidence of "actual loss of revenues" or the "skillfully constructed consumer survey" to prove actual dilution.⁵⁸

The Second Circuit stated that "requiring proof of actual loss of revenue seems inappropriate"⁵⁹ and reasoned that "contextual factors" have long been used to establish infringement and likewise should be employed to show

⁵² *Nabisco*, 191 F.3d at 213.

⁵³ *Nabisco, Inc. v. PF Brands, Inc., and Pepperidge Farm, Inc.*, 50 F. Supp. 2d 188, 212 (S.D.N.Y. 1999).

⁵⁴ 191 F.3d 208 (2d Cir. 1999).

⁵⁵ *Id.* at 215–22. The court understood the FTDA to establish five elements for a dilution claim: (1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark. *Id.* at 215. The court focused on element two and element five, and after a brief discussion of the parameters of the distinctiveness requirement, found that the Pepperidge Farm Goldfish mark was reasonably distinctive enough to qualify for the FTDA's protection. *Id.* at 216. The court took much longer to discuss element five (whether there was dilution of the distinctive quality of the senior mark), considering ten nonexclusive factors in helping them to determine that Pepperidge Farm was likely to succeed in establishing that Nabisco's use of its goldfish-shaped cracker would dilute the distinctive quality of Pepperidge Farm's famous mark. *Id.* at 217–22.

⁵⁶ *Id.* at 223–25.

⁵⁷ *Id.* The court conceded that it was "not clear which of two positions the Fourth Circuit adopted by its requirement of proof of 'actual dilution.'" *Id.* at 223.

⁵⁸ *Id.* at 223 (citing *Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev.*, 170 F.3d 449, 457, 464–65 (4th Cir. 1999)).

⁵⁹ *Nabisco*, 191 F.3d at 223–24.

dilution.⁶⁰ In support of this position, the court mentioned the practical difficulties inherent in requiring proof of actual harm.⁶¹ According to the Second Circuit, the broader position that the Fourth Circuit *may* have intended to adopt with their holding in *Ringling Bros.* (of the need to prove actual harm) “would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior [user] be already established in the marketplace before the senior [user] could seek an injunction.”⁶² Despite recognizing the textual support to this reading,⁶³ the Second Circuit opined that Congress meant to provide for an injunction to prevent dilution before it occurs.⁶⁴ Thus, given the inequities and difficulties inherent in the actual harm standard, the Second Circuit held that a plaintiff need only prove a likelihood of dilution to succeed under the FTDA.⁶⁵

V. LIKELIHOOD OF DILUTION: A BETTER STANDARD THAN ACTUAL HARM

J. Thomas McCarthy, one of the leading commentators on trademarks and unfair competition, has stated that the argument over these standards can be resolved by examining the definition of dilution. He says, and this author agrees,

⁶⁰ *Id.* at 224.

⁶¹ *Id.* at 223–24. The Second Circuit emphatically stated the following:

“If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive, time-consuming and not immune to manipulation. If a junior user began to market Buick aspirin or Schlitz shellac, we see no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys. Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury.”

Id.

⁶² *Id.* at 224.

⁶³ *Id.* “We recognize that the language of the statute gives some support to this reading, in that it uses the formulation, ‘causes dilution,’ rather than referring to ‘likelihood of dilution.’ In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute.” *Id.* (internal citation omitted).

⁶⁴ *Id.* The court also stated:

“Notwithstanding the use of the present tense in ‘causes dilution,’ it seems plausibly within Congress’s meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs . . . [To do so] would subject the senior user to uncompensable injury [since the] statute could not be invoked until injury had occurred . . . [a]nd, because the statute provides only for an injunction and no damages (absent willfulness), such injury would never be compensated.”

Id. (internal citation omitted).

⁶⁵ *Nabisco*, 191 F.3d 208 (1999).

that the Lanham Act's definition of dilution as the "lessening of the *capacity* of a famous mark to identify and distinguish," represents a likelihood or probability test built right into the definition of what constitutes dilution in the first place.⁶⁶ In addition to that fundamental semantic argument, though, there are several reasons why the likelihood standard is more desirable than the actual harm standard. Not only is actual harm more burdensome to prove, but the history of the dilution statutes on the state level and the legislative purpose behind the Trademark Amendments Act of 1999 (passed four years after the FTDA) both indicate that likelihood of dilution is the more appropriate and advantageous standard for the federal courts to employ.

A. The "Burden" of Proving Actual Harm

Requiring plaintiffs to prove actual harm in order to succeed on a federal dilution claim has proven to be, and will prove to be, quite difficult.⁶⁷ As J. Thomas McCarthy puts it, "[t]he stringent test of actual harm adopted by the Fourth Circuit [in *Ringling Bros.*] raises the question of how the owner of a famous mark could ever muster proof that it was the accused use that was the cause of a demonstrable, present injury to the selling power of its famous mark."⁶⁸ The two suggested methods of proof of actual harm are: (1) proof (by

⁶⁶ See MCCARTHY, *supra* note 6, at 24:90 (emphasis added).

⁶⁷ See *Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999). The Fourth Circuit was certain, though, that Congress did not intend to create property rights in gross, even for famous trademarks. Expressing concern that such protection would be overbroad, the court stated:

[H]owever amorphously they may be expressed, and however difficult to prove in practice, the Act literally prescribes as elements of its dilution claim both specific harm to the senior mark's economic value in the form of a "lessening of [its] capacity . . . to identify and distinguish goods and services," and a causal connection between that harm and the "commercial use" of a replicating junior mark. It will not bear a property-right-in-gross interpretation.

Id. at 459 (internal citation omitted). The Second Circuit agreed that the "dilution statutes do not create a 'property right in gross,'" while at the same time disagreeing with the imposition of the actual harm standard. See *Nabisco*, 191 F.3d at 224 n.6. Many commentators have the same worry. See, e.g., Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 790, 851-63 (1997) (arguing that trademark dilution law unjustifiably grants a property right in gross to the trademark owner to the detriment of competition). But cf. Matthew S. Voss, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development & Nabisco, Inc. v. P.F. Brands, Inc.*, 15 BERKELEY TECH. L.J. 265, 267 (2000) (stating that, despite the problems of an overbroad interpretation that effectively gives trademark owners property rights in gross, an overly restrictive reading would tend to provide no remedy at all, thereby defeating the FTDA's purpose of protecting truly famous and distinctive marks from a loss in distinctiveness).

⁶⁸ MCCARTHY, *supra* note 6, at 24:94.1. "Compared to the almost automatic assumption of dilution that most courts had adopted under the state anti-dilution laws, the Fourth Circuit's

eliminating other causes) that defendant's use caused plaintiff an "actual loss of revenues,"⁶⁹ and (2) conducting a "skillfully constructed consumer survey" designed to demonstrate "consumer impressions from which actual harm and cause might rationally be inferred."⁷⁰

These methods, as the Second Circuit explained in *Nabisco*, are not simple answers to the problem. In response to method one (proof of revenue loss), the *Nabisco* court stated that "[e]ven if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark."⁷¹ Further, the Second Circuit in *Nabisco* criticized the

decision raised the required burden of proof up to a level that perhaps few owners of famous marks will be able to successfully achieve." *Id.*; see also *Ringling Bros.*, 170 F.3d at 464 (admitting that "[p]roof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts").

⁶⁹ See *Ringling Bros.*, 170 F.3d at 465. The Fourth Circuit acknowledged, though, that such proof of actual revenue loss is available "most rarely." *Id.* A major problem with requiring plaintiffs to show actual revenue loss, as explained by the Second Circuit, is that if a famous mark has continually been diluted for an extended period of time, it may be difficult for the senior user to show diminished revenues because there would be no way in which to measure what the revenues would be without the junior mark's influence. See *Nabisco*, 191 F.3d at 223–24. In addition, any diminished revenues that could be shown would be speculative and it would be difficult to prove that the loss was due to dilution of the mark in general, let alone by the junior user's actions. *Id.* at 224; see also Xuan-Thao N. Nguyen, *The New Wild West: Measuring and Proving Fame and Dilution Under the Federal Trademark Dilution Act*, 63 ALB. L. REV. 201, 235 (1999) (criticizing the Fourth Circuit's interpretation of the FTDA as requiring proof of dilution to be shown by actual economic harm to the famous mark's selling power through use of the junior mark). "The court failed to recognize that dilution of a mark does not occur overnight. Dilution is a slow process whereby a multitude of small users can erode a famous mark's ability to uniquely signify a source." *Id.*; cf. Prager, *supra* note 3, at 130 (noting that requiring actual harm to be shown is a "higher hurdle than that facing plaintiffs under state dilution statutes, which permit recovery upon a showing of a 'likelihood of dilution.'"). This author believes that the uncertainty inherent in bringing in "direct" evidence (i.e. a balance sheet, income statement, historical statement of cash flow, and/or a statement of surplus), that will prove that any loss in revenue was *more likely than not* caused by the defendant's use of the mark, makes this method of proof both rare in effectiveness and extremely weak in real probative value.

⁷⁰ See *Ringling Bros.*, 170 F.3d at 465. The court intimated a third method of proof to augment the other two. The third possibility . . . was said to be "contextual factors such as the extent of the junior user's exposure, the similarity of the marks, the firmness of the senior mark's hold, [which] are of obvious relevance as indirect evidence that might complement other proof." *Id.*

⁷¹ See *Nabisco*, 191 F.3d at 224. The court also feared that, assuming a successful exploitation by the junior user of the senior mark, "the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior user diluted the distinctiveness of the senior [use]." *Id.* at 223–24; see also *I.P. Lund Trading v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998) (reasoning that a showing of actual harm was not required because "demand for one product is almost always lessened whenever a competing product achieves a measurable degree of success" and further noting that dilution through blurring focuses on the

Fourth Circuit's second method of proving actual harm (consumer surveys) as being quite expensive, time-consuming, and prone to manipulation.⁷² In addition, the Fourth Circuit failed to state decisively what percentage of dilution, as evidenced by the consumer survey, would be an acceptable threshold of dilution.⁷³ As a result, the Second Circuit suggested that plaintiffs be able to demonstrate dilution by "persuasive circumstantial evidence of dilution of the

"identification of a product, and that is not the same thing as a lessening of demand"). *But see* Brent G. Seitz, *The Actual Harm Requirement and the Federal Trademark Dilution Act: Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 10 J. ART & ENT. L. 113, 155–56 (1999). Seitz remarked that:

[I]n many cases it will be possible to look back at revenues during the time period when the junior user first appropriated the famous mark. A gradual shift in revenue from the senior user to the junior during the period in which the junior user first implemented the mark would indicate that the senior user's mark had been diluted.

Id. Again, this author maintains that such shaky evidence of a showing of a gradual shift in revenue, *even when from the senior user to the junior user*, is still not highly probative of actual dilution caused by the junior user—especially when not used in conjunction with other forms of evidence. Therefore, loss of revenue alone should not be conclusive evidence of actual dilution—survey evidence and other testimonial proof should be employed to get the whole picture to properly gauge the occurrence and level of dilution.

⁷² *Nabisco*, 191 F.3d at 224. Despite the inherent flaws that survey evidence may have it is widely believed that a survey that can clearly demonstrate dilution may be a plaintiff's strongest and most persuasive evidence. *See, e.g.*, Patrick M. Bible, Comment, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 314 (1998). In this comment, Bible suggests that the most important factors relevant to survey evidence of dilution are: properly selecting and defining the survey universe and sample, ensuring the surveyed consumers are representative of that population, and asking clear, non-leading questions that are probative of the dilutive harm. *Id.* at 319, 336 (citing MANUAL FOR COMPLEX LITIGATION (THIRD) § 21.493 (1995)). One problem recognized by Bible is that courts often struggle to determine what weight to give to evidence proffered by litigants, especially when litigants try to prove the existence of mental association. In such a situation, the litigant offers testimonial evidence from consumers, but there are obvious practical limitations to obtaining a large and relevant community in such a situation, and that is why survey evidence has the most potential to provide a "more scientific means" of demonstrating trademark dilution. *Id.* at 314–15 (citing MCCARTHY, *supra* note 6, at 32:189).

⁷³ Nguyen, *supra* note 34, at 168 (citing Courtland L. Reichman, *State and Federal Trademark Dilution*, 11 FRANCHISE L.J. 111 (1998)). Not all the commentators agree on what the necessary percentage of respondents making a mental association between the famous mark and the junior mark has to be, and it certainly is not laid out in the FTDA. *See* Nguyen, *supra* note 69, at 237 (stating that survey evidence should meet a minimum threshold of at least 20% of respondents making a mental association between the marks in order to establish proof of dilution); Bible, *supra* note 72, at 335 (indicating that a finding slightly higher than the 15% to 20% requirement for trademark infringement would be appropriate for a typical survey attempting to establish dilution). *But see* MCCARTHY, *supra* note 6, at 24:92 (asserting that a mark should not be characterized as "famous," and hence protected under the FTDA, unless it is known to more than 50% of the defendant's potential customers).

distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys."⁷⁴ It thus can be seen that, although on its face requiring proof of actual dilution may seem logical, once it is actually time to prove the dilution, the practical difficulties and uncertainties turn dilution protection into an unfavorable burden to famous trademark owners who may be suffering injury.

B. The Relationship of State Antidilution Laws and Congress' Unintended Departure

State anti-dilution statutes have tended to require a "likelihood of dilution" analysis, based largely in part on language coming directly from the Model State Trademark Act.⁷⁵ By 1994, approximately twenty-six states had statutes adopting this or substantially similar language.⁷⁶ Unfortunately, the legislative history of

⁷⁴ *Nabisco*, 191 F.3d at 224. "Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. 'Contextual factors' have long been used to establish infringement. [There is] no reason why they should not be used to prove dilution." *Id.*; see also *Avery Dennison Corp. v. Jerry Sumpton*, 189 F.3d 868, 874 (9th Cir. 1999) (interpreting the FTDA as providing relief if the plaintiff can establish that "(1) the mark is famous; (2) the defendant is making commercial use of the mark in commerce; (3) the defendant's use began after the plaintiff's mark became famous; and (4) the defendant's use presents a *likelihood of dilution* of the distinctive value of the mark.") (emphasis added); Prager, *supra* note 3, at 131 (indicating that anecdotal evidence could be used to show evidence of dilution by tarnishment). "This evidence would consist of testimony from the plaintiff's former customers who declare that they no longer purchase from the plaintiff because they think the quality of its products has declined, when, in fact, it has not, and when the defendant's tarnishing activities have been under way." *Id.* at 131-32. Prager went on to admit that "this sort of evidence will be hard to find in the first instance and hard to attribute exclusively to the defendant's activities, since many other market factors may influence the former customer's opinions." *Id.* at 132. The presence of many other market factors that *may* influence the former customer's opinions is precisely why this author believes that the likelihood standard is more practical than the actual harm standard—if "actual harm" is found, one must wonder if that harm is really caused by dilution. The harm may just be a consequence of market forces that are not properly captured by financial and consumer opinion-based evidence, yet this evidence still may be effective in showing a *likelihood* that dilution *could* occur. The foreseeability element inherent in this analysis should be the focus of anti-dilution laws if a trademark's selling power and distinctiveness are really to be protected. To argue an opposing view begs the question of why damage to the mark is allowed to occur merely because proving the actual cause is so difficult.

⁷⁵ MCCARTHY, *supra* note 6, at 24:80; see also MODEL ST. TRADEMARK ACT, *supra* note 20, at § 12.

⁷⁶ MCCARTHY, *supra* note 6, at 24:80. McCarthy cites the following states as having anti-dilution statutes: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Washington. *Id.*

the FTDA is silent on the important point of what the necessary proof must be (i.e. actual harm or likelihood of dilution),⁷⁷ but the Act does state that “federal trademark law presently coexists with state trademark law, and it is to be expected that a federal dilution statute should similarly coexist with state dilution law.”⁷⁸ Implicit in this expectation of coexistence is the assumption that the sponsors of the FTDA intended the federal courts to look to state law to help discern the boundaries of the federal cause of action.⁷⁹

The fact that the FTDA is silent on the present dispute, coupled with the fact that the Act was intended to coexist with state law, leads the author of this note to believe that Congress did not intend to make a significant departure from state law precedent by requiring *actual* proof of harm.⁸⁰ As the Second Circuit in *Nabisco* aptly put it, “[n]otwithstanding the use of the present tense in ‘causes dilution [in the FTDA],’ it seems plausibly within Congress’ meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.”⁸¹ By requiring a plaintiff to wait until injury occurs, as the

⁷⁷ See Prager, *supra* note 3, at 130 (stating that the FTDA is “silent on this seemingly important point”); see also Horwitz & Prager, *supra* note 18, at S7 (finding the legislative history to be silent on this point, but pointing out the necessary coexistence of the federal statute with state trademark laws); Nguyen, *supra* note 34, at 165 (noticing that there is a question concerning what type of proof is required to show actual dilution, if that is indeed the standard imposed by the FTDA).

⁷⁸ H.R. REP. NO. 104-374, at 4 (1995), reprinted in 1995 U.S.C.C.A.N. 1029, 1031; see also Horwitz & Prager, *supra* note 18, at S16. This author seriously doubts how the FTDA can “coexist” with state dilution law when the standards of proof are so divergent.

⁷⁹ See Litowitz & Rettew, *supra* note 7, at 36; see also Prager, *supra* note 3, at 127 (stating that “[i]t is reasonable to anticipate that past analysis of liability under state dilution statutes will play a role in future analysis under the federal statute, and there are some thoughtful decisions construing state dilution statutes prior to the enactment of the FTDA.”). But see Seitz, *supra* note 71, at 157 (rebuking the notion that courts should engage in the practice of using state dilution statutes and their interpretations to help decide cases based on the FTDA). This author argues that the evolution of dilution necessarily calls for the history of state dilution to be consulted when deciding cases on the federal level, especially given the relative youth of the FTDA and its purported ambiguousness.

⁸⁰ But cf. *Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev.*, 170 F.3d 449, 461 (4th Cir. 1999). “Finally and most telling, there is the fact that in the face of the obvious centrality of ‘likelihood of dilution’ provisions in the interpretation and application of state antidilution statutes for the fifty years of their existence, the federal act does not so provide.” *Id.* The Fourth Circuit used the difference as support for an *intended* departure from likelihood of dilution analysis, whereas this author uses the departure as evidence of an *unintended* change on Congress’ part. After all, if Congress could have foreseen that such a dispute would arise, they most likely would have attempted to draft a clearer statute, either in direct accord or discord with the state statutes’ traditional “likelihood of dilution” analysis.

⁸¹ See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999). Some commentators also claim that the FTDA provides protection against the likelihood that a junior mark will dilute not only a famous mark’s current capacity to identify its source, but also the famous mark’s future capacity to identify its source. See MCCARTHY, *supra* note 6, at 24:90

Fourth Circuit suggests in *Ringling Bros.*, the senior user is subjected to uncompensable injury because the FTDA provides only for an injunction and no damages (absent willfulness).⁸²

The actual harm requirement sterilizes the dilution cause of action. Plaintiffs would have to calculate lost revenue, show it was caused by the defendant's use of the mark, conduct consumer surveys, and institute court proceedings, all in the hopes of having a court decide that their mark indeed was diluted.⁸³ After "winning" an injunction preventing the defendant from using the mark in such a dilutive fashion, the plaintiff has to deal with the reality that they spent a significant amount of money to obtain an "unrewarding" remedy.⁸⁴ Such a result

(stating that the FTDA does not require proof of lessening of the strength of the famous mark: only that there is a lessening of the capacity or the ability of the mark to be strong as a commercial symbol and identifier); Seitz, *supra* note 71, at 154 (citing Reichman, *supra* note 73, at 132, for the proposition that the FTDA appears to require a showing of actual dilution, but supporting the less stringent requirement that a plaintiff only needs to demonstrate a likelihood of dilution because the likelihood "interpretation squares with the definition's use of the word 'capacity,' which indicates that it is the junior user's ability to dilute that is actionable, not actual dilution in the marketplace."). *But see* Seitz, *supra* note 71, at 154 (declaring that such an interpretation of the word "capacity" in the FTDA's definition of blurring excessively reads into the plain meaning of the statute). Seitz claims that interpreting capacity to protect a famous mark's future capacity to identify its source is unfounded because that interpretation not only gives a new meaning to the language of the statute as a whole, but it also gives a new and unintended meaning to the word "capacity" as used in the statute since the statute does not attach any temporal modifiers to the word that could possibly make it read "future capacity of a famous mark to identify and distinguish goods and services." *Id.* Seitz concludes that the lack of any temporal modifier suggests that Congress intended to denote a "present capacity," which coincides with the FTDA's plain reading providing a remedy against junior marks that "cause dilution" as opposed to junior marks that "could cause" or "may cause" dilution. *Id.* at 155.

⁸² See *Nabisco*, 191 F.3d at 224. Such injury would therefore, in most cases, never be compensated. *Id.*

⁸³ Cf. Nguyen, *supra* note 34, at 167 (arguing that "waiting for enough evidence to be quantifiable may cause the owner of the famous mark to foreclose his opportunity to get preliminary injunctive relief from the defendant"). Nguyen further argues that requiring plaintiffs to show actual economic harm, given the slow process that dilution undertakes, is unreasonable because not only would it be too late for the senior user to get a preliminary injunction, but even worse, the junior user may use laches and the existence of numerous third party uses as a defense to the dilution claim. *Id.* at 189. Therefore, Nguyen concludes that a likelihood of dilution standard would be a more realistic test for the plaintiff to demonstrate. *Id.*

⁸⁴ See *Hall v. Holstrom*, 289 P. 668, 673 (Cal. Dist. Ct. App. 1930). The court stated that:

The object of injunctive relief is to prevent injury, threatened and probable to result, unless interrupted. Why should a person be required to stand by and see his property impaired, before he may stay the hand of the person seeking to offend? Actual injury may be the best evidence of its own existence, but a person should not be compelled to abide the results of trespass for the purpose of obtaining evidence of its injurious effects. Wrongs which are the probable result of given means should be prevented, not awaited.

Id. (internal citation omitted).

seems antithetical to the supposed purpose of the FTDA to "protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."⁸⁵

Not only is an actual harm reading of the FTDA impracticable and harmful to the plaintiff in terms of the transaction costs of pursuing dilution litigation, but such a reading of the FTDA is harmful to *both* the senior and junior users.⁸⁶ The senior user is harmed because the statute can only be invoked after an injury has occurred and only provides injunctive relief, not damages.⁸⁷ The junior user is disadvantaged as well, because an actual harm interpretation of the FTDA prevents them from knowing whether they will be prohibited from using their new mark until after it actually establishes the mark in the marketplace, which will likely be a huge expense in terms of time, effort, and money.⁸⁸ It can plausibly be argued, then, that Congress did not intend the FTDA to require actual

⁸⁵ See 141 CONG. REC. H14,317-01 (Dec. 12, 1995) (statement of Rep. Moorhead); cf. MCCARTHY, *supra* note 6, at 24:94.1 (stating that, in comparison to the "almost automatic assumption of dilution that most courts had adopted under the state anti-dilution laws, the Fourth Circuit's decision [in *Ringling Bros.*] raised the required burden of proof up to a level that perhaps few owners of famous marks will be able to successfully achieve").

⁸⁶ See *Nabisco*, 191 F.3d at 224.

⁸⁷ *Id.* The FTDA only provides damages in actions where willfulness can be proven. See 15 U.S.C. § 1125(c)(2) (Supp. V 1998) (stating that injunctive relief shall be granted "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark"). If such willful intent on the part of the defendant is shown, plaintiffs can receive damages including attorney's fees and treble damages. See *id.*

⁸⁸ See *Nabisco*, 191 F.3d at 224. The court stated that:

If the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution, businesses in [the position of the junior user] will be unable to seek declaratory relief [that their mark is non-dilutive] before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined [later by the senior user].

Id. But see Seitz, *supra* note 71, at 156 (proposing that the actual harm requirement, in terms of declaratory actions, will help junior users in many cases because if the likelihood standard was adopted, many marks would be enjoined that may not actually dilute the senior's mark once allowed to be used in the marketplace). "The actual dilution standard allows the junior user to place the mark in commerce so that a determination can be made as to whether it actually dilutes a famous mark. The likelihood standard would deprive the junior user of such an opportunity." *Id.* Seitz also concludes that the actual harm standard is appropriate because if a junior user is "truly nervous" about the development of its mark because it may dilute a famous mark already in existence, then the "prudent decision would be to change its mark so as to avoid such a conflict." *Id.* This author's response is that that situation is exactly why the likelihood standard is the most logical and engrained standard for dilution—the practical business decision of forecasting whether there might be potential for dilution is, in essence, the definition of *likelihood* of dilution in action.

harm, and that their "clear" wording of that standard was a legislative oversight that needed to be (and has been partially) remedied.⁸⁹

C. *The Trademark Amendments Act of 1999*

Perhaps the most telling evidence in favor of a likelihood of dilution analysis as opposed to an actual harm requirement for dilution claims is found in the legislative history behind the Trademark Amendments Act of 1999.⁹⁰ The purpose of the TAA, as stated by the sponsor of the Act, Senator Orrin Hatch (R-UT), is to, *inter alia*, "provide stronger and more efficient protection for trademark owners and consumers by making it possible to *prevent trademark dilution before it occurs* . . ."⁹¹ The TAA authorizes the Trademark Trial and Appeals Board (TTAB) to consider dilution as grounds for refusal to register a mark or for cancellation of a registered mark.⁹² This provision was implemented

⁸⁹ See *infra* Part V.C.

⁹⁰ Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218.

⁹¹ 145 CONG. REC. S7452-53 (daily ed. June 22, 1999) (emphasis added) (statement of Sen. Hatch). The Trademark Amendments Act (TAA) was designed to amend the Trademark Act of 1946 relating to dilution of famous marks, but the legislative history indicates that the TAA was created to improve some of the areas of protection afforded by the FTDA. See also Trademark Amendments Act of 1999, *supra* note 88. It is also compelling that the sponsor of the TAA himself, Senator Orrin Hatch of Utah, was also the sponsor of the Senate's version of the FTDA in 1995. See 141 CONG. REC. S38,559 (Dec. 29, 1995). Given that Senator Hatch knew the background of the law concerning trademark dilution and the need for a federal statute, it should be highly persuasive evidence that he, speaking for the Senate and perhaps for Congress as a whole, recognized the flaws of the FTDA and introduced the TAA as a remedy. Most telling is the clear purpose of the TAA, as stated by Senator Hatch, to provide protection to trademark owners to stave off dilution before it occurs. This forward-looking, pro-active approach to dilution embodies the likelihood standard. The actual harm standard, then, although the most accurate textual reading of the FTDA, does not properly reflect the congressional intent of the sponsor of the bill himself, and therefore the TAA and its legislative history, although not explicitly amending the FTDA, should provide enough evidence to the federal courts that Congress' intention was and is to establish the likelihood standard and not the actual harm standard for trademark dilution on the federal level.

⁹² 145 CONG. REC. S7452-54; see also *Babson Bros. Co. v. Surge Power Corp.*, 39 U.S.P.Q. 2d (BNA) 1953 (T.T.A.B. 1996). Under the FTDA, the TTAB was not authorized to hear an opposition or cancellation proceeding; instead, the federal district courts had the onus of hearing dilution claims and were armed with injunctive and cancellation relief. Now, under the TAA, the issue of dilution can be addressed in an opposition or cancellation proceeding in front of the TTAB. This costs considerably less than a federal court proceeding, and any increase in workload for the TTAB is significantly offset by the *reduction* in workload of the federal courts as well as the sizeable savings in court costs that were previously imposed upon owners of famous marks due to the "torturous route . . . available today [prior to the enactment of the TAA] . . ." See Prepared Statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association, Before the House Committee on the Judiciary Subcommittee on Courts and Intellectual Property (May 5, 1999), in FEDERAL NEWS SERVICE, LEXIS, Nexis, FEDERAL NEWS SERVICE File.

to remedy the interpretation of the FTDA that required trademark owners to wait to seek relief under the FTDA until dilution of the mark had occurred (a.k.a. the actual harm requirement).⁹³ Senator Hatch complained that, due to the actual harm requirement, the "owner of a famous mark must stand idly by throughout the registration process and await recourse through costly litigation in federal court only after he has suffered harm to his mark."⁹⁴ Although the TAA was not explicitly designed to change or amend the disputed section of the FTDA, the purpose behind the amendments arguably indicates that Congress does not now intend to require plaintiffs to show actual harm in a federal dilution claim. Practical reasoning therefore leads to the conclusion that a likelihood of dilution requirement is the logical method of proof for dilution claims on the federal level.⁹⁵

⁹³ 145 CONG. REC. S7452-54. The Fourth Circuit's implementation of the actual harm requirement for dilution "significantly increased the desirability of allowing owners of famous marks to oppose and petition to cancel the registration of diluting marks." Kirk, *supra* note 92, at 2. Allowing for opposition or cancellation proceedings based on dilution "permit[s] the applicant or owner of a diluting mark to seek an alternative mark for his or her goods or services at an earlier stage, thereby avoiding wasteful advertising and promotional expenditures." *Id.*; see also Prepared Statement of Mr. Kim Muller, Vice President Trademark Affairs and Policies, International Trademark Association, Before the House Committee on the Judiciary Subcommittee on Courts and Intellectual Property (May 5, 1999), in FEDERAL NEWS SERVICE, LEXIS, Nexis, FEDERAL NEWS SERVICE File (purporting that the current state of the law [under the FTDA] is inefficient and creates uncertainty in the process of adopting and registering a mark). Mr. Muller stated that:

Allowing owners of famous marks to oppose a trademark application or to seek cancellation of a trademark registration within the first five years based on dilution of their mark will best protect the rights and interests of all parties involved in such disputes, will facilitate administration of the trademark register, and is consistent with international trademark policy. Trademark law will be more efficient if owners of famous trademarks have the ability to intercede earlier in the process to resolve these important issues rather than to permit the registration of a diluting mark which can only be remedied by protracted and expensive federal litigation.

Id.

⁹⁴ 145 CONG. REC. S7452-54. "By specifically allowing the trademark owner to oppose registration or to petition for cancellation of a diluting mark, [the TAA] will prevent needless harm to the goodwill and distinctiveness of many trademarks and will make enforcing the federal dilution statute less costly and time consuming for all involved." *Id.*; cf. Kirk, *supra* note 90, at 3 (noting that a finding of dilution by the TTAB might well cause the applicant to select a different mark prior to investment of substantial funds and certainly would give fair notice of the risks involved in going forward; therefore, allowing oppositions based on dilution is in the interest of both the applicant and the opposer). For further discussion of the detrimental effects of the actual harm standard to both the junior and senior user, see *supra* Part V.B.

⁹⁵ See *Eli Lilly and Co. v. Natural Answers, Inc.*, 86 F. Supp. 2d 834, 852 (S.D. Ind. 2000). In *Eli Lilly and Co.*, the United States District Court for the Southern District of Indiana granted the plaintiff a preliminary injunction against defendant's use of the mark HERBROZAC for part of a line of products designed to promote Mood Elevation, and as a "powerful and effective

VI. CONCLUSION

Ever since the concept of trademark dilution began in 1927, scholars have struggled with its relation to traditional trademark infringement. Dilution by definition is a more nebulous concept, bringing inherent uncertainties to methods of proof. The need for a congressional amendment to clarify the language of the FTDA in terms of what a plaintiff must prove for dilution, though, has been partially obviated by the passage of the TAA. The legislative history behind the TAA, indicating a congressional desire to clear up a fundamental aspect in the dispute over what the standard of proof should be in dilution actions, has brought a level of closure to a previously unclear situation—plaintiffs should only have to prove a *likelihood* of dilution in order to succeed on a dilution claim under the federal statute. This is how the states have had it for decades, and this is how it should be on the national level as well.⁹⁶ Perhaps Congress should directly amend the FTDA to further clarify its intent, but for the moment, the TAA's provision allowing for an opposition or cancellation proceeding to be instituted based on dilution should be evidence enough of the congressional desire to prevent dilution before it occurs, thus calling for a likelihood of dilution standard also to be employed by the federal courts.

all-natural and herbal formula alternative to the prescription drug Prozac." *Id.* at 835. The court found that defendant's mark HERBROZAC was likely to cause dilution by blurring of plaintiff's famous and incontestable mark PROZAC—a prescription drug used to treat clinical depression and some other psychological conditions. *Id.* In heralding the likelihood of dilution interpretation of the FTDA, the court stated the following:

If the holder of a senior mark cannot obtain injunctive relief until after actual dilution has occurred, the holder of the senior mark must suffer significant and irreparable harm before it is entitled to relief. [In many cases], the senior mark holder would probably not be able to establish proof of actual dilution when the first junior mark has just come on the scene By the time a number of junior marks have come into use, the senior mark holder would have a better chance of establishing actual dilution, but if the senior mark holder waits to file any dilution claims until after it can show actual irreparable harm from dilution, the senior mark holder would be open to the argument that it has not actively protected its mark. In addition, in determining whether the senior mark is famous and distinctive, the junior mark holder will have evidence of all the other junior marks to dispute the senior mark's distinctiveness. With every new junior mark, actual dilution increases and the fame and distinctiveness of the senior mark decreases. This sort of double-edged sword is contrary to the purpose behind the Dilution Act. Its purpose was to give the senior mark holder the ability to protect its mark with injunctive relief when the first junior mark arises and before any substantial harm is done.

Id. at 853. The court's practical concerns in *Eli Lilly and Co.* (as stated above) are persuasive evidence, in this author's opinion, that a "likelihood of dilution" interpretation is the only coherent standard of proof for federal trademark dilution claims.

⁹⁶ A potential problem if a national standard is not adopted could be forum shopping by trademark owners in order to avoid courts in the Fourth and Fifth Circuit so that they do not have to prove actual harm to get relief. See Nguyen, *supra* note 34, at 169.